

KARELIA UNIVERSITY OF APPLIED SCIENCES


Degree Programme in International Business

Kaspars Kokins (0901641)

**LEGAL AND DISTRIBUTIVE FRAMEWORK FOR EXPORT OF
RUSSIAN ANIMAL-ORIGIN FOODSTUFFS IN FINNISH MARKET.**

Thesis

November 2013

 Karelia UNIVERSITY OF APPLIED SCIENCES	THESIS Academic year 2013-2014 Degree Programme in International Business Tikkarinne 9 80200 Joensuu Tel: +358 13 2600 6404 Fax: +358 13 2600 6401
Author Kaspars Kokins	
Title Legal and Distributive framework for export of Russian animal-origin foodstuffs in Finnish market.	
<p>Russia's membership of World Trade Organization (WTO) has triggered a change in country's trade policy. Apart of decrease on tariffs and import/export duties Russian business personas will be provided with greater access to European markets and companies. This gave an input to explore a possibility for Russian foodstuffs to enter Finnish food market.</p> <p>The qualitative research is used in this study, meaning that secondary data and primary data were used to describe and analyze following parts of paper: (1) distribution channels, (2) legal framework on Russian animal-origin foodstuffs trade from Russia to Finland (EU) including processed meat, fish and poultry meat products as samples (3) an overview of grocery distribution sector in Finnish grocers' market, and (4) Case S-Group.</p> <p>Thus, research discovered important results: the policy of foodstuffs purchasing and distribution by S-Group concluded that retailer is eager to take a control over operations. For a rightful trade of Russian animal-origin foodstuffs to Finland suppliers must be aware of certificates and requirements requested by European Union and retailer. The main issue turns out to be HACCP certificate. The Finnish grocers' market is highly concentrated wherein large volumes are the most common features in supply chain despite a new social movement among Finnish customers. On the basis of study's findings a general outcome can be concluded that there is a system which involves steps that must be satisfied in order to become a supplier of Finnish grocers.</p>	
Language English	Pages 46 Appendices 7 Pages of Appendices 8
Keywords Distribution Channels, Retail, Export, WTO, Russia, Finland, S-Group	

CONTENTS

1 INTRODUCTION	5
1.1 Background	5
1.2 Aim of the paper	6
1.3 Outline of the study	7
2 RESEARCH METHODS	8
2.1 Research questions	8
2.2 Data gathering	9
2.2.1 Primary data	9
2.2.2 Secondary data	10
2.3 Validity and reliability	10
3 LEGAL FRAMEWORK OF RUSSIAN FOODSTUFFS EXPORT TO FINLAND ..	11
3.1 Russia's export to EU in means of food	11
3.3 Competent authorities in Russia	13
3.4 Customs clearance at Finnish (EU)-Russian border	15
3.5 Hygiene requirements	16
3.6 Product Labelling/Packaging	18
4 DISTRIBUTION (MARKETING) CHANNELS	20
4.1 Meaning of Distribution Channels	20
4.2 Distribution channel structure	21
4.4 Models of Channel intensity	24
5 GROCERY DISTRIBUTION SECTOR IN FINLAND	26
5.1 An Overview of Finnish Grocers' Market	26
5.2 Major Players (retailers) of Finnish grocers' market	27
5.2.1 S-Group	28
5.2.2 K-Group	29
5.2.3 Suomen Lähikauppa Oy	29
5.2.4 Overview of Finnish Grocers' Retail Profiles	30
5.3 Local and Organic food – recent trends in Finnish Grocers' market	32
6 CASE: COOPERATIVE S-GROUP AS AN OPTIONAL DISTRIBUTION CHANNEL FOR RUSSIAN ANIMAL-ORIGIN FOOD SUPPLIERS	33
6.1 S-Group's distribution channel structure	33
6.2 General minimum requirements for products suppliers of Inex Partners Oy	36
6.3 Practices in product selection and distribution in S-Group	37
7 CONCLUSIONS	40
REFERENCES	42

APPENDIX 1: Goals of BSCI Code of Conduct

APPENDIX 2: Principles of the HACCP system

APPENDIX 3: Ten principles of GMP

APPENDIX 4: Transport requirements towards the hygiene of foodstuffs in accordance with Regulation No. 852/2004

APPENDIX 5: CVED for products

APPENDIX 6: The list of groups of materials and articles which may be covered by specific measures in accordance with Regulation 1935/2004

APPENDIX 7: Semi structured outline of the interview with Timo Hämälä

1 INTRODUCTION

” For the entrepreneurs the purpose of earning profits is not to indulge in consumption but to preserve and expand his business”

- Joan Robinson, 1969

1.1 Background

A decision to go abroad for companies can be triggered by many factors. One of such factors in case of Russian companies is a recent Russian Federation accession to the World Trade Organization (WTO). (Swiss Business Hub Russia, 2012, 4).

Such a change in country's trade policy will lead to a steady decrease of import and export duties thereby providing easier trade policy between member countries of WTO (Evseev, Wilson 2012). In turn that will provide Russian companies with greater access to European markets and companies.

Membership of WTO provides to country trade without discrimination, participation in trade of goods, trade in services and trade-related aspects on intellectual property rights. Thus, Russia will become a participant in General Agreements which governs main areas of trade managed by WTO. (World Trade Organization, 2013).

Recently, Janne Lihavainen a retail chain manager of Prisma outlets of S-Group in Estonia expressed a following comment to Baltic Times on Russia's membership in WTO;

“Majority of producers (meant Estonian but theoretically and practically also applies to Finland) will attempt to increase exports to Russia at the same time and that reduces supply at the home market. Meanwhile, Russian producers will have a more favorable opportunity than before to come to Estonia with their goods that will bring new products to shops and will start pulling down the average price of a food basket”. (The Baltic Times 2011).

Both, Russia's membership of WTO and Janne Lihavainen comment raise a concernment to explore a possibility for Russian animal-origin foodstuffs to enter Finnish food market.

1.2 Aim of the paper

Thesis aims to describe the legal framework of animal-origin foodstuffs trade from Russia to Finland. Products applied are processed meat, fish and poultry meat. Further, examine grocery distribution sector in Finland to provide insights of major grocers' profiles and nature of market. Thus, to identify possible distribution channels. A motivation behind the aim is to see what suppliers of animal-origin food products originated from Russia need to consider and fulfill in order to become a supplier to S-Group's procurement company Inex Partners Oy.

Thus, three main areas of study are raised:

- 1) Legal framework of animal-origin food products trade from Russian to Finland
- 2) Grocery distribution sector in Finland's grocers' market
- 3) Purchasing procedure of Case cooperative S-Group

1.3 Outline of the study

The study is carried out from supplier's perspective who is seeking to export Russian animal-origin foodstuffs from Russia to Finland. For the purpose of the paper author describes theory on distribution channels. Analyses are linked with study in following order.

The grocery distribution sector in Finland is analyzed with a purpose to identify intermediaries for Russian animal-origin foodstuffs. S-Group as an optional distribution channel is examined in order to recognize cooperative's purchasing procedure and policy towards food products' distribution, and channel intensities. Both of those chapters are analyzed based on the theory of distribution channels.

Next, legal framework of rightful animal-origin trade from Russia to Finland is described to find out main provisions which suppliers of Russian animal-origin foodstuffs must take into account when considering supplying in Finland. Finally, conclusions are made.

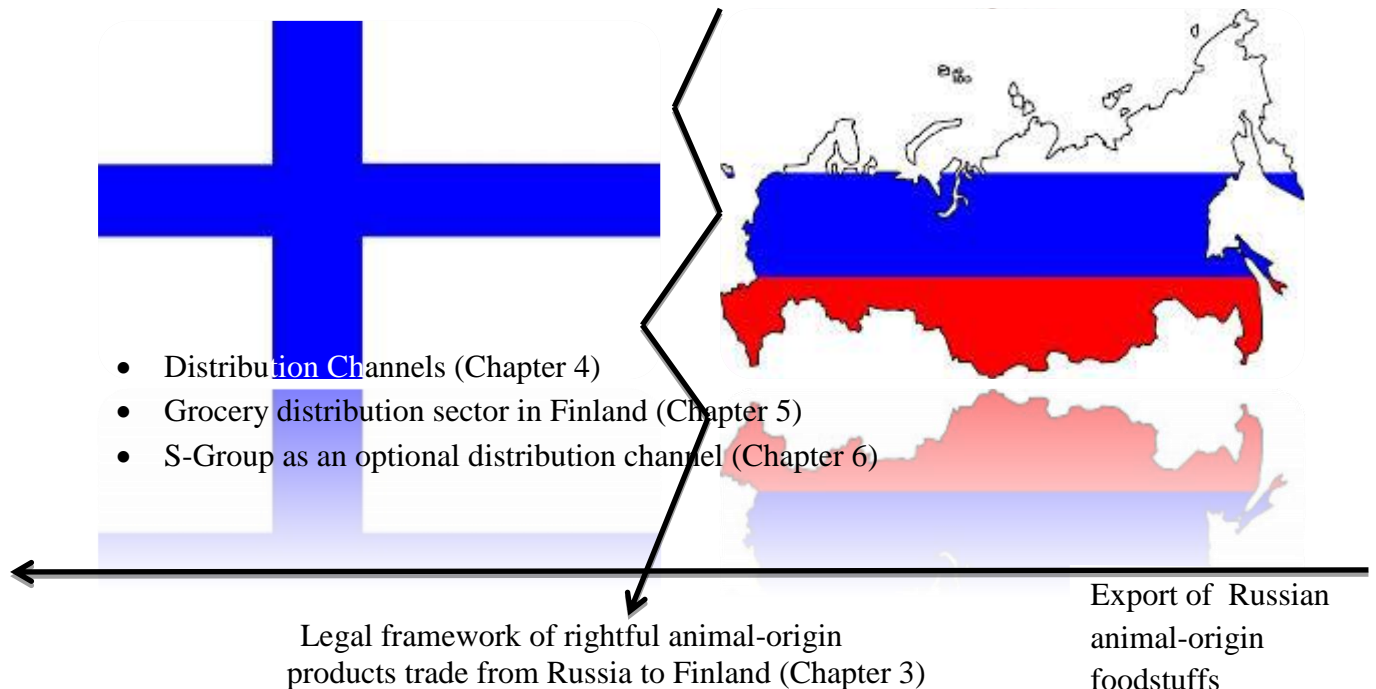


Figure 1. Outline of the Study

2 RESEARCH METHODS

There are several types of research, e.g. descriptive and analytical, applied and fundamental as well as qualitative and quantitative (Kothari, 2004, 3). Qualitative research is used in this thesis. Qualitative research is concerned with qualitative phenomena, i.e., phenomena relating to or involving quality or kind, wherein one of the ways how to gather information is using interviews for the purpose. Quantitative research differs from qualitative in sense that former is based on the measurement of quantity or amount. (Kumar, 2008, 8).

2.1 Research questions

Primary data and secondary data are used in this study. Primary data differs from secondary data by providing first-hand information, whilst secondary sources provide second-hand data (Kumar, 2011, 138-139). Table 1 summarizes questions that guide this study.

Table 1. Research questions and types of information sources applied to study.

Questions	Sources of information
What are the distribution channels?	Secondary data: marketing text books.
What legal aspects suppliers of animal-origin foodstuffs from Russia must consider when supplying to Finnish food retailer in Finland?	Secondary data/Primary data: emails from Finnish customs and Finnish Food and Safety Authority. Reports of Food and Veterinary Office of EU.
What is the environment of Finnish grocers' market?	Secondary data: Finnish Competition Authority and Finnish grocery trade association reports.
What are the distribution channels of S-Group in grocery trade?	Secondary data: Annual reports of SOK organizations
What is the purchasing policy of S-Group to potential suppliers and/or producers?	Primary data: Interview with Timo Hämälä

2.2 Data gathering

2.2.1 Primary data

The represented interview with a selected specialist reflects practical situation of how major Finnish retailers of grocery trade operate referring to the procedure of product selection and products distribution. For the purpose of the paper it was paramount to understand retailers' position on such situations towards producers/suppliers who would become potential business partners.

The interviewer was specially selected due to his experience, meaning that Timo Hämälä is involved in retail sector since 1987, and has been working in Finland, Estonia and Latvia for both Finnish major grocers' competitors, namely, S-Group and Kesko. Through his career he has held positions as Cash & Carry director of Kesko Eesti AS, CEO of Kesko Eesti, director of field operations and purchase director at Kesko Food AS, field operations advisor at SOK (Finnish Cooperation Wholesale Society) in Finland, and currently holds the position of chain director of Prisma AS in Latvia.

Thus, interviewer has an experience of grocers' retail operations from Finland, Estonia and Latvia. The interview was conducted to create in-depth understanding of issues in question and core questions to interviewer were sent beforehand by e-mail leaving a time gap to prepare for an interview. For the primary data semi-structured, open ended question interview is applied to this research paper. In order to obtain as much details as possible, meaning that a possibility for examples is left, open ended questions are used. Interview was conducted in Prisma's office in Riga on 17 of May, 2013. Apart of the interview, for other research areas of study several private emails were received from government authorities to identify aspects on legal framework regulations for Russian foodstuffs export to Finland. Thus, emails from Finnish Food and Safety Authority (EVIRA) and Finnish Customs were received.

2.2.2 Secondary data

Secondary data includes reports of government authorities and organizations which are used for the review on Finnish grocers' market and legal framework of animal-origin product trade from Russia to Finland. Information available on this section is vast, therefore liable sources are cited. Distribution channels are explained based on text books and related articles.

2.3 Validity and reliability

Findings of this research are reliable in a sense that secondary sources used for legal framework explanation and description of Russian product flow of animal-origin to Finland were provided by government authorities such as Finnish Food and Safety Authority (EVIRA), Directorate-General of Health and Consumers of European Commission (SANCO) and by Food and Veterinary Office (FOV) of European Commission (EC).

During an interview of Timo Hämälä a question related to legal requirements/certificates was asked to evaluate a validity of gathered information; whether legal aspects of trade from Russia to Finland in means of animal-origin products retrieved from secondary data are in accordance with practice (See section 5.3). For an explanation of Finnish Grocers' market information is gathered from trustful sources as Finnish Grocery Trade Association (FGTA), Finnish Competition and Consumers Authority (FCCA).

The obvious limitation to this research paper is that face to face interview was conducted only with one person. Such phenomena trigger uncertainty of results. Author believes that possible bias to limitation of this research are vanished by the fact that procedure of product selection and product distribution identified in the interview reveals an approach of both major grocers in Finland.

3 LEGAL FRAMEWORK OF RUSSIAN FOODSTUFFS EXPORT TO FINLAND

This section reviews legal provisions of product export from Russia to Finland. Products applied to this research section are animal-origin processed products (cold cut) as processed meat, fish and poultry meat of Russian origin.

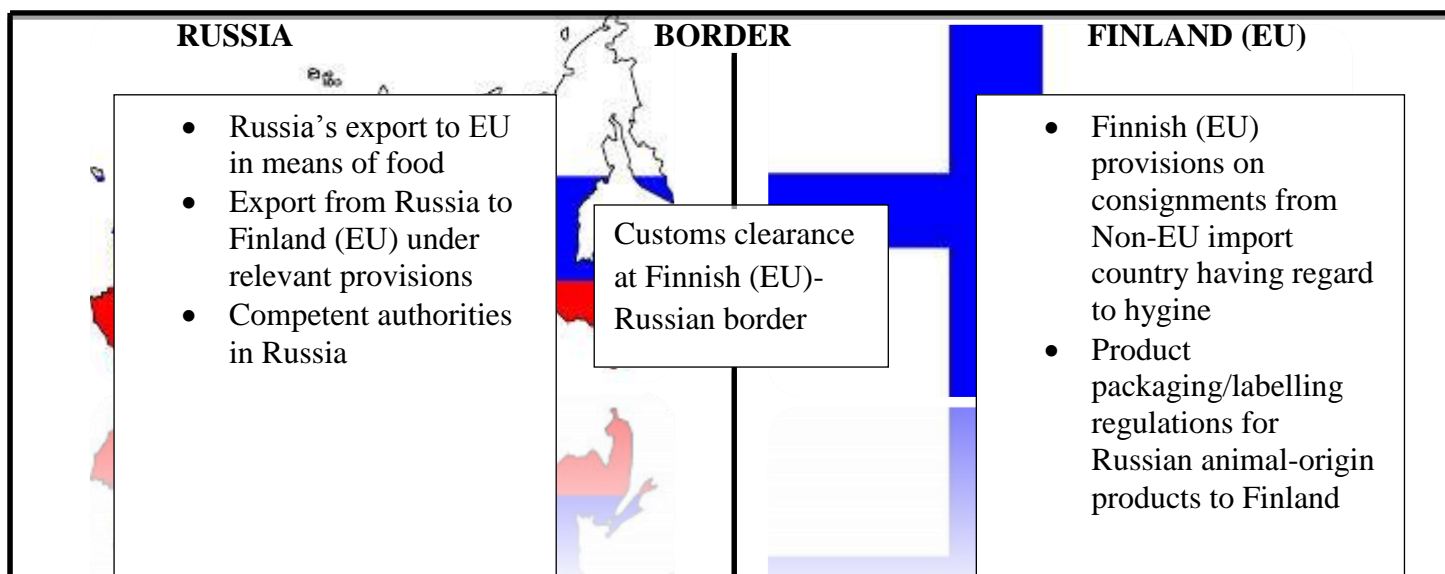


Figure 4. Legislative framework of rightful animal-origin products distribution from Russia to Finland.

3.1 Russia's export to EU in means of food

According to Directorate General for Health and Consumers (SANCO) of European Commission (2013a) Russian Federation is allowed to export to EU in means of food following; 1) meat of farmed game, 2) fishery products, 3) raw milk and dairy products, and 4) treated stomachs, bladders and intestines: casing only, and 5) meat.

Poultry meat and poultry meat products were not allowed due to not sufficient improvement to animal welfare, systems based on HACCP (Hazard Analysis and Critical Control Points). More information about this certificate is in Appendix 2) principles and post-mortem inspection. The general improvement, however, has been noticed comparing to last checking in 2009 by EU Food and Veterinary Office (FOV). (European Commission Food and Veterinary Office 2011, 10).

Similar situation applies to meat (bovine, porcine) export from Russia to Finland. At investigated plants by FOV experts of Commission weaknesses were identified related HACCP plan, handling, processing, maintenance, cleaning, disinfection and production channeling were not according to general and specific requirements according to EU. (European Commission Food and Veterinary Office 2010, 5).

Recently, the situation has changed. Production plants from Kalinigradskaya Oblast' have received a permission to export their meat, pig, poultry products to EU. Companies as 'Miratorg' and 'Pitania Kombinat' are granted with HACCP certificates. Author, think that the capacity of those companies are a significant treat to Finnish and European meat producers. For instance the capacity of Miratorg's pig farm per year is 3 million heads in contrast to Atria (a leading Finnish meat producer) the capacity of pig heads per year is 235 000. (Atria 2013).

The Fishery products are also allowed for exporting purposes to EU from Russian Federation. The Directorate General for Health and Consumers of European Commission on its official website has published a list of those Fishery processing companies in Russia which are allowed to export to EU. For instance, JSC Russian Sea from the region of Moscow, Europrom Co. Ltd. from Saint-Petersburg, and Akvatoria Co. Ltd from region of Murmansk, and other 78 fish processing companies around Russian Federation territory. (Directorate General for Health and Consumers of European Commission 2013a).

3.2 Export from Russia to Finland (EU) under relevant provisions

The Russian legislation (point 5.2 Chapter V, of Customs Union Commission Decision No 317, 18 June 2010) states, that: 'establishment wishing to export to another country have to comply with the requirements of the importing country'. (European Commission Food and Veterinary Office 2011, 2). Finland as a Member State of EU is part of the customs and fiscal territory of the Community; therefore common customs and trade policy is applied in relations with countries outside the EU (Finnish Customs, 2013a).

European Commission (EC) Regulation No. 882/2004 under the Article 47.1 referring to General import conditions states that:

“The Commission shall be responsible for requesting third countries intending to export goods to the Community to provide accurate and up-to-date information on the general organization and management of sanitary controls system, for instance, any sanitary or phytosanitary regulations adopted or proposed within its territory.” (European Parliament and the Council, 2004).

Thereof, according to Article 46.1 of EC Regulation No. 882/2004 “Commission experts may carry out official controls in third countries in order to verify, on the basis of the information referred in Article 47.1, the compliance or equivalence of third country legislation and systems with Community feed and food law and Community animal health legislation”. (European Parliament and the Council, 2004)

The laws retrieved state, that suppliers of animal-origin products originated from Russia willing to export to EU must follow the requirements according to EU Community. The EU experts of Food and Veterinary Office have duties to investigate Russian plants in order to authorize them for legal export basis.

3.3 Competent authorities in Russia

Russian producers, suppliers and/or companies must be aware of authorities that supervise and control the export trade of country. For Russian animal-origin producers/companies located in Russia there are several authorities that have important roles on activities towards exporting of animal-origin foodstuffs.

Those authorities are Rosselkhoznadzor (Federal Service for Veterinary and Phytosanitary Surveillance), State Veterinary Service (SVS) and Rospotrebnadzor (Federal Service for the Protection of Consumer Rights and Human Wellbeing). (European Commission Food and Veterinary Office, 2009, 3).

Rosselkhoznadzor as an executive service under the control of Ministry of Agriculture controls the establishments which are producing animal-origin food and are involved in import or export to and from Russia. Main focus is on phytosanitary and veterinary

protection in those companies. Rosselkhoznadzor is represented with local offices and laboratories in regions. (European Commission Food and Veterinary Office, 2009, 4). Besides controlling of those establishments an executive service also takes care of work done by state veterinary service. Competent people of regional offices make investigations. The main head office is located in Moscow. (Federal Service for Veterinary and Phytosanitary Surveillance of Russia 2013).

The SVS is supervised by the Ministry of Agriculture as it is an executive service of it. Main responsibilities of State Veterinary Service are control and supervision of establishments where food productions take place. Regional official veterinarians control activities of establishments. However, large establishments have permanent time working official veterinarian. (European Commission Food and Veterinary Office, 2009, 4)

Rospotrebnadzor as a federal executive service is under the supervision of Ministry of Health and Social Development. Duties and responsibilities of such executive service are towards the field of sanitary and epidemiological welfare of the population and protection of consumer rights i.e. health status of workers, environmental conditions, water, additives and extensive sampling of final products. Controlling is carried out by officials of regional authorized offices. (European Commission Food and Veterinary Office, 2009, 4)

The first step to suppliers of Russia who are willing to export to Finland and other EU countries is to contact local State Veterinary Service. Next, with a help of SVS that in fact might already operate under the Rosselkhoznadzor contact regional Rosselkhoznadzor office in order to investigate a plant for export purposes. The Rospotrebnadzor service will incorporate through investigation. Finally, the mission team or Commission experts of EU Food Veterinary Office will check the plant and make a final decision.

Within 20 days the plant is included in the list of countries authorized for the export of particular products in Directorate General of Health and Consumers website (SANCO) in case Member States do not show any opposition. A competent Russian authority

(SVS) issues the health certificate of EU for exporting purposes to target market in EU. (European Commission DG of Health and Consumers 2013b).

3.4 Customs clearance at Finnish (EU)-Russian border

“The health certificate is part of the customs procedure on Finnish-Russian border. Before the arrival importer (from the perspective of Finnish customs) has to make a notification electronically in TRACES (Trade Control and Expert System)” (Kaustia 2013). The notification includes Import Certificate which consists of two parts. Part one involves the information of consignment but second part is health attestation of the consignment filled by SVS of Russia.

Both of these parts are necessary to fill the Common Veterinary Entry Document (CVED). CVED for products is presented in Appendix 5. The first part of CVED can be send to Border Inspection Point (BIP) through TRACES. In addition, the second part of CVED is completed by BIP veterinarian after the inspection at customs. Producers, exporters of Russia when sending the CVED should know that there are CVED for products and CVED for animals to not confuse. (Directorate General for Health and Consumers of European Commission 2013c).

Products which arrive from Russia to Finland must be checked by border veterinarians authorized by the Finnish Food Safety Authority (EVIRA). Border veterinarians do a physical check on 2-100 per cent of import consignments. After the inspection, products can be positioned throughout the area of the EU even though there might be some exceptions. At present there are four border inspection points in Finland; 1) Helsinki (port), 2) Vantaa (airport), 3) Hamina (port) and, 4) Vaalimaa (road). For products imported from Russia Vaalimaa is the most available choice. (Finnish Food and Safety Authority 2013a).

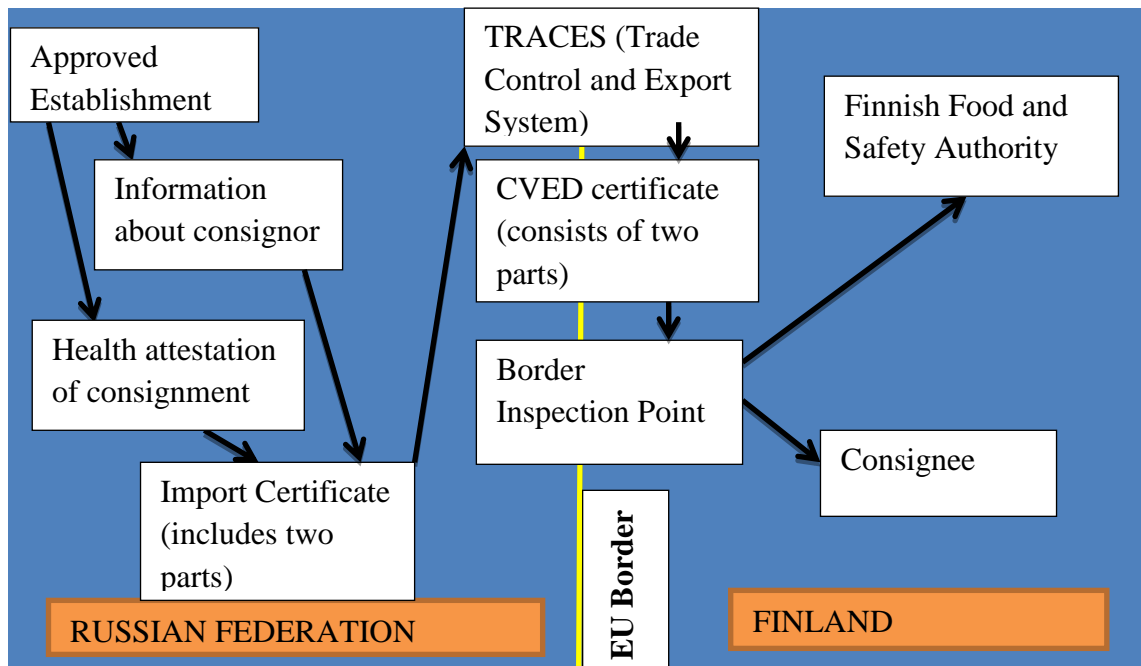


Figure 5. Non-EU consignments coming to the EU. (Source: summarized from SANCO, 2013). Note: arrows refer to notifications.

According to Finnish Customs (2013b, 3) import clearance at customs requires custom declaration including invoice, certificate of origin (when required) and import license (when required). When applicable one shall pay customs duty, value added tax (VAT) and excise duty. Goods have to be declared. However, producers must check with transportation/logistics company together the documentation (if company outsources such service) because those companies may operate in different ways.

3.5 Hygiene requirements

The Regulation (EC) No 853/2004 on the hygiene of foodstuffs having regard to Article 3 determine that: ‘‘food business operators shall ensure that all stages of production , processing and distribution of food under their control satisfy the relevant hygiene requirements’’. (European Parliament and the Council, 2004).

Apart from production plant maintenance, an important aspect to pay attention is a distribution quality towards good practice for hygiene; therefore it’s better to choose a

logistics company which is granted with relevant certificate, e.g. HACCP. Transport requirements towards the hygiene of foodstuffs in accordance with Regulation No. 852/2004 are listed in Appendix 4.

“If Russian foodstuffs of animal origin are allowed to be imported to Finland it is allowed to sell them in market places like whatever else, when selling foodstuffs of animal origin there are strict hygiene requirements with the equipment and water in use” (Korpela 2013).

Those equipment and water in use requirements is best to check with local municipality’s EVIRA’s authority. The entrepreneur who is operating in open-air market place in Finland must be in contact with local municipality in order to pay the fee (if required) for using the place and to receive the permission.

Business employers who are considering such opportunity must consider another important requirement by EVIRA – a hygiene passport. The hygiene passport is required to employees who are dealing with unpacked easily perishable goods. Also, if a business persona/s wants to open a private store (cafeteria, restaurant, and fast food chain or institutional kitchen) wherein manufacturing of food takes place, employees within three months shall apply for hygiene passport passing a proficiency test. (Finnish Food and Safety Authority 2013b).

However, in a situation:

“when Russian exporters want to bring to Finland minor consignments for research or presentation purposes as commercial samples and which are not in accordance with the Community and/or Finnish national legislation Russian personas must apply for import permit”. (Finnish Food and Safety Authority, 2013c).

The hygiene passport is an extra requirement to those Russian suppliers who consider products of animal-origin export to Finland directly via store or open-air-market place (manufacturing of food take place). Otherwise hygiene requirements as other legal provisions are the same whether supplier choose direct or indirect distribution.

3.6 Product Labelling/Packaging

The Regulation (EC) No. 178/2002 of the European Parliament and of the Council laying down the general principles and requirements of food law under Article 16 states following;

“without prejudice to more specific provisions of food law, the labelling, advertising and presentation of food or feed, including their shape, appearance or packaging, the packaging materials used, the manner in which they are arranged and the setting in which they are displayed, and the information which is made available about them through whatever medium, shall not mislead consumers”. (European Parliament and the Council, 2002).

In Finland the Food Labelling Directive (2000/13/EC) is implemented through the Decree of the Ministry of Trade and Industry of Finland on the Labelling of Foodstuffs 1084/2004 (Ministry of Agriculture and Forestry of Finland, 2013). Thus, mandatory labelling in accordance with Article 6 of Decree 1084/2004 indicates that food packaging must contain at least the following information:

- 1) The name of the product;
- 2) the list of ingredients; (materials)
- 3) the amount of certain ingredients; (added ingredients)
- 4) The amount, weight or dimension of content;
- 5) The date of minimum durability or ‘use-by’ date;
- 6) the manufacturer, packager or name of the seller or company operating in EU, their address;
- 7) country or region, if its absence could mislead the consumer regarding the origin of the food;
- 8) the food item code; (batch code)
- 9) the storing instruction, if necessary;
- 10) instructions for use, if necessary;
- 11) warning labels if necessary;
- 12) the actual alcoholic strength by volume; with respect to beverages containing more than 1.2 percent by volume and in the solid food more than 1.8 percent of weight;

Additionally, with respect to the same Decree (1084/2004) on the Labelling of Foodstuffs, the mandatory labelling in Finland must be made in both; Finnish and Swedish languages in accordance with Article 5.

Russian producers willing to export to Finland when thinking of packaging material to be used for processed products of meat, fish and poultry meat products must take into account Regulation (EC) No. 1935/2004 Article 3:

“for general requirements on materials and articles intended to come into contact with food, meaning that 1) materials and articles, including active and intelligent materials and articles, shall be manufactured in compliance with good manufacturing practice so that, under normal or foreseeable conditions of use, they do not transfer their constituents to food in quantities which could; (a) endanger human health, or (b) bring about an unacceptable change in the composition of the food, or (c) bring about a deterioration in the organoleptic characteristics thereof, and 2) the labelling, advertising and presentation of a material or article shall not mislead the consumers” (European Parliament and the Council, 2004).

The list of groups of materials and articles which may be covered by specific measures in accordance with Regulation 1935/2004 is listed in Appendix 6.

Besides packaging and labelling there are also marketing and nutrition provisions that must be respected when doing business in Finland and EU for both; domestic and foreign business entities. Those provisions are not explained due to the thesis context and focus on concept place of marketing mix, wherein marketing slogans are part of the promotion but nutrition of the product concept of 4P's of Marketing mix.

4 DISTRIBUTION (MARKETING) CHANNELS

This section describes distribution channels from literature involving information about channel structure, types of intermediaries and intensities. Finally, the connection of theory to study is described.

4.1 Meaning of Distribution Channels

From the marketing perspective channels of marketing are also known as distribution channels. For instance, P.Kotler and G.Armstrong (1993, 395) explain distribution channels as: “a set of interdependent organizations involved in the process of making a product or service available for use or consumption by the consumer or industrial user”. Coughlan, Anderson, Stern & El-Ansary (2001, 3) define the term marketing channel: “The marketing channel is a set of interdependent organizations involved in the process of making a product or service available for use or consumption”.

Nowadays, the description of the concept marketing channels in its meaning has not changed, namely, Kotler, Keller, Brady, Goodman & Hansen (2012, 690) present it as following: “the marketing channels are sets of interdependent organizations participating in the process of making a product or service available for consumption”.

Additionally, Perreault, Cannon & McCarthy (2011, 284), describe channel of distribution: “any series of firms or individuals who participate in the flow of products from producer to final user or consumer”. “The channels of distribution are the means by which a seller of goods or services connects with their customers” (Doyle 2011).

The channel of distribution (COD) refers to: “the journey a product takes from manufacturer to end-user including whatever retailers or wholesalers are between the manufacturer and end-user. This term is often used just to refer to retailer alone, but more accurately refers to the full journey”. (Russell 2010, 119)

The concept distribution channels or marketing channels authors of marketing books use interchangeably even though the definition in many cases is the same. Nevertheless, a concept distribution channel or marketing channel in broader sense refers to an element ‘place’ of the marketing mix of 4P’s. Lines, Marcouse & Martin recognizes that place is about choosing distribution channels and seeking shop distribution (2003, 168).

4.2 Distribution channel structure

In order to seek shop distribution e.g. producer/supplier must understand the structure of channels through which products’ journey take place. For instance, Russell (2010, 118) describe the term channel as; ‘a trip a product takes from the manufacturer all the way to the end user. It does not matter how many destinations are on this trip, in either case it is a trip through the channel’.

Channel structure has three dimensions 1) length –number of levels in a marketing channel, 2) intensity-number of intermediaries at each level of the marketing channel, and 3) the types of intermediaries used – different kinds of intermediary institutions that can be used at the various levels of the channel. (Hoffman et al. 2004, 353-355).

According to Lancaster and Massightam (2011, 199) marketing channel has two basic aspects;

1. the placement of intermediary types of channel in relation to each other i.e. the order in which they occur
2. the number of different intermediary levels or stages in the channel i.e. how many different separate types of intermediary are involved, so types of intermediary and numbers of levels determine the structure of marketing channel.

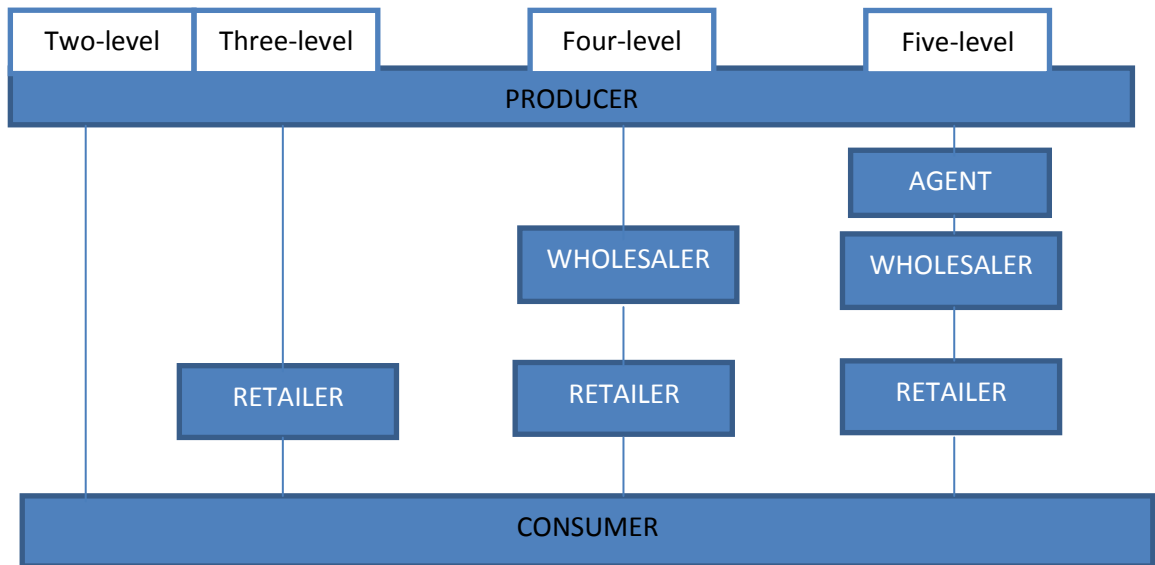


Figure 2. Example of the Length of Dimensions of Marketing Channel Structure for Consumer Products (Rosenbloom et al. 2004, 354).

Channels in figure 2 are known as conventional channels. “The conventional distribution channel is the channel consisting of one or more independent producers, wholesalers, and retailers, each a separate business seeking to maximize its own profits even at the expense of profits for the system as a whole” (Law 2009).

At first glance, the figure above might look outdated due to no Internet involved. However, for products with a low unit value, internet-based online channel structure may turn out to be less cost efficient, especially for products that are heavy and large in size. Economic feasibility is still the foundation on which channel structure is build. Exceptions are digital and paper products, which can be distributed at low cost or electronically via emails and internet. (Rosenbloom 2010, 10).

Russell (2011, 121) has added an extra channel called direct marketing, but it is not the same as direct distribution from producer to consumer, therefore direct marketing is primarily concerned with the promotion area, not place decisions (Perreault et al. 2011, 289). To not confuse author has selected to choose a concept distribution channel instead of marketing channel further in the study.

4.3 Types of Intermediaries

Some authors use substitutes as ‘members’, ‘actors’ or ‘collectivities’ to replace a word intermediary. Despite the various titles, members or intermediaries of distribution channels have slightly different roles due to various functions performed by various intermediaries (Brassington & Pettitt 2006, 520). Thus, definitions of intermediaries by different authors are provided below;

‘Intermediaries relate to each other through channel structures as their role is to get a product or service available to end user or consumer and simplify distribution process, add value and reduce costs’ (Linton, Donnelly 2009, 109).

Wholesaler/s - a distributor that sells goods in large quantities, usually to other distributors. ‘Typically, a wholesaler buys and stores large quantities of several producers’ goods and breaks into the bulk deliveries to supply retailers with smaller amounts assembled and sorted to order’ (Law 2009). ‘Wholesalers also take the title of the goods they distribute and sell to other intermediaries’ (Blythe 2006, 679).

Retailers – ‘a company that purchases a product or service either direct from a manufacturer or from a distributor, depending on the sales volume levels or services required by the manufacturer. Retailer operates in the consumer area’ (Rolnicki 1998, 11-12). A decision to buy directly from manufacturer or deal with a wholesaler depends on purchasing power and volume (Brassington et al. 2006, 520).

Agents and brokers –

‘an independent person or company appointed to handle sales and distribution within a specified area. An agent’s income comes from commission or mark-up they make on each sale. As agents work solely for a percentage of the sales revenue they may work harder than a salaried sales force, but if the agent sells many different products, he or she may not give yours enough attention’ (Lines et al. 2003, 6).

These three intermediaries represent channels they operate. According with Rolnicki (1998, 11) channels can be categorized into direct and indirect.

‘A direct channel means that manufacturer makes and sells the item to the end-user. This provides control over the entire channel; those who service it also control the

relationship with end-user. Profits are not shared with anyone else'' (Russell 2010, 119). In contrast: ''indirect channels are characterized by using third party as an intermediary between the producer of goods and services, and the end consumer''. (Doyle 2011).

However, in addition to described intermediaries there are other type of intermediaries as dealers and franchisees, but the former is more related to industrial markets rather than to consumer markets and later is more a type of business entity than intermediary, therefore in the context of this paper author disregards them.

4.4 Models of Channel intensity

Market coverage depends on company's marketing objective according to product and market characteristics. The marketing objective is driven by company's goals which are influenced also by other factors as value, quantity sold, margin available, market share etc. (Brassington et al. 2006, 534). ''It is not that hard to choose appropriate coverage strategy, because supply of topnotch distributors may be limited in particular target market'' (Rolnicki 1998, 17). The literature discusses three models of distribution intensity.

Intensive distribution: ''is selling a product through all responsible and suitable wholesalers or retailers who will stock or sell the product at the particular level of the channel'' (Perreault et al. 2011, 284). ''These goods must be available where and when customers want them''. (Kotler &Amrstrong 1994, 408).

Selective distribution: ''is designed to use a small number of carefully chosen outlets within defined geographic area'' (Brassington & Pettitt 2006, 535). Such strategy brings advantages regarding good working relationship with middleman, more control, and better-than-average selling effort (Kotler et al. 1994, 408).

Exclusive distribution: ''means authorizing only one distributor per geographic area or market segment to sell products'' (Rolnicki 1998, 17).

“It is appropriate when the producer wants to maintain control over the service level and outputs offered by resellers, and it often includes exclusive dealing arrangements. By granting exclusive distribution, the producer hopes to obtain more dedicated and knowledgeable selling” (Kotler et al. 2012, 707).

Overall, the intensive distribution is expensive to carry and promote, but maximum coverage can in return provide the highest sales. Meanwhile, selective distribution is a middle way among provided models on channel intensity, due to its careful policy selecting the middleman. The exclusive distribution is appropriate for luxurious items; since its additional purpose is to provide appropriate brand awareness regarding the items sold.

The theory connects to study as following: theory on channel structure is used to identify set of organizations involved in S-Group in order to make a product available for final consumer/s. Models of channel intensity are taken into account during an interview to see retailer's position on those. Types of intermediaries are used to identify intermediaries involved in order to make a product from Russia available to final consumer in case of S-Group in Finland.

5 GROCERY DISTRIBUTION SECTOR IN FINLAND

This section describes on a large scale Finnish Grocers' market. Hence, the information provided is more focusing on players' profiles and market development in order to understand the nature of industry.

5.1 An Overview of Finnish Grocers' Market

According to Finnish Grocery Trade Association (FGTA 2012, 17) the Finnish Grocery Trade (FGT) is qualified by the system of chain retailers and the centralization of procurement and logistics.

In 1993 there were approximately 6,000 grocery stores in Finland. In contrast to nowadays, around 3,216 stores are open (Björkroth, Frosterus, Kajova & Palo 2012, 8). According to Koistinen & Vesala (2006) several reasons have caused such a market development:

- 1) In 1995 Finland joined European Union (EU) that caused decrease in retail food prices due to imports from EU countries. Thus, reducing domestic producer prices to the same level as in other Member States. This allowed retail sector to take an advantage of the competition between domestic food companies and foreign ones.
- 2) Through mergers, acquisitions and strategic alliances retail sector became consolidated, thereby increasing concentration. As a result of the concentration, very large units, e.g. hypermarkets have conquered market shares at the expense of smaller units.
- 3) Market opportunities of food producers were influenced directly by retailer trade in four ways; (1) concentration, (2) chaining, (3) discount stores, and (4) private labels.

In 2011, the total value of retail sales of groceries in Finland was around 15.3 billion € (including specialized food retail stores, kiosk, petrol station, discount stores, and open-air market-place sales, but excluding supermarket sales). The trade sector recruits the most employees in Finland of all sectors, providing a job to nearly 300,000 people. Thus, 55 per cent works in retail trade, 31 per cent in wholesale trade, and 14 per cent in car sales. The value growth of sales comparing to year 2010 have growth by 5%. (FTGA, 2012, 6). The Finnish grocers' market has two general features; (1) chain retailers and centralization of procurement and (2) new social movement of organic and local food.

5.2 Major Players (retailers) of Finnish grocers' market

The market of Finnish grocers' is highly concentrated. Three main players of market contribute to 88.3 per cent of total market share. Those actors are S-Group, K-Group and Suomen Lähikauppa. At the present situation the most visible grocery trade groups operating in Finland are; S-Group, K-Group, Suomen Lähikauppa, Stockmann group, Lidl Finland Ky, Wihuri Group, Tokmanni Group, Minimani Group and M Itsenäiset Kauppiaat (M Chain) as well as other private companies. (FGTA, 2012, 17-20).

Table 2. Grocery Trade Groups in Finland. (Source; FGTA, Finnish Grocery Trade 2012-2013).

Name of Group	Sales in 2011 (million €)	Market Share (per cent)
S-Group	6,897	45.2%
K-Group	5,387	35.3%
Suomen Lähikauppa	1,183	7.8%
Lidl	951	6.2%
Stockmann	214	1.4%
Tokmanni	220	1.4%
M Chain	104	0.7%
Mininmani	87	0.6%
Other Private	214	1.4%

In addition to trade groups other important actors in Finnish grocers' market are five grocers' supply chains; Inex Partners Oy, Kesko Food Oy, Tukko Logistics Cooperative, Lidl Finland Ky and Tokmanni Oy which are procurement and logistics business entities to their customer chains (FGTA 2012, 18-20).

However, wholesalers have different approaches, e.g. the wholesalers of groceries as Inex Partners Oy, Kesko Food Oy and Tuko Logistics Cooperative, already have customers, and therefore their activities focus more on buying than selling. Thus, large trading groups as S-Group active in the grocery trade act as both retailers and wholesalers, and often take the control of the product distribution and import (Björkroth et al. 2012, 10).

According to Finnish Competition and Consumer Authority (FCCA) the wholesale trade has a leading role in the food supply. ‘‘Roughly, 1300 wholesalers are involved in grocery trade in Finland, but the large wholesalers are those who control the volume’’ (Björkroth et al. 2012, 9). The Finnish Grocery Trade Association (FGTA) state that: ‘‘current situation of FGT is appropriate to sparsely populated countries with vast territory. Based on that, main characteristic of grocery trade at national level are large volumes which lead into efficient logistics’’ (FGTA, 2012, 17).

5.2.1 S-Group

S-Group is a market leader in Finland. It is a cooperative retail company group which consists of the SOK (Finnish Cooperative Wholesale Society) with its subsidiaries and 21 regional and 8 local cooperatives. The Co-op members are both customers and owners, cooperatives, which in turn own the SOK central firm (SOK annual report 2011a). In other words it is a network of companies wherein cooperative societies own the SOK Cooperation. Together cooperative societies and SOK Cooperation create S-Group. (S-Kanava 2013).

According to Gide (1922, 153) there are two aspects of such cooperatives, one social and the other commercial; ‘‘one to develop the spirit of solidarity among the societies and to guide cooperative movement; the other to bulk purchases, and if possible to organize production. These two aspects can be united in one organization, but the work is better divided if they remain distinct’’. However, S-Group as a cooperative is not a profit maximizing firm; instead its aim is to fulfill members’ needs.

One of SOK owned subsidiaries is Inex Partners Oy (hereafter Inex) which is a key organization to Russian animal-origin food producers that are willing to supply to S-Group because Inex is a procurement and logistics company of SOK. Inex acts as a

wholesaler to its customer chains by buying goods from suppliers and distributing them to cooperative's outlets. Company aims to value customer orientation, responsibility, renewal and cost-efficiency. Company's turnover in 2008 was 1,981.5 million (€). (Inex Annual Report 2008, 4).

S-Group produces services for the grocery and consumer goods trade, but is also operating in the service station and fuel trade, the travel industry and hospitality business, the automotive and accessories trade, and the agricultural trade. Thus, providing total sales of SOK 11,461 million € in 2011. Additionally, in 2011 SOK employs 42,142 employees and the number of co-op in mid-February 2012 exceeded two million. S-group operates in Finland, Baltic States and Russia. (SOK annual report 2011).

5.2.2 K-Group

K-Group in contrast to S-Group is a listed company and a profit maximizing business entity. Similarly as its main competitor also K-Group is involved in food trade, car and machinery trade, and home and specialty goods trade as well as in building and home improvement trade. Total sales of K-Group in 2011 reached 9,460 million €. K-group's strategy towards the market expansion is run by business personas that are store holders or retailers with a private investment in store and who are trained as well as supported by K-group. The group has businesses in Finland, Russia, Baltic States, Belarus, Sweden and Norway. (Kesko Group Annual Report 2011).

Referring to grocery outlets, both competitors have similar types of outlets available to customers in Finland.

5.2.3 Suomen Lähikauppa Oy

Soumen Lähikauppa Oy formerly known as Tradeka Ltd (changed name in 2009) is a private company, wherein the largest owner is IK Investments Partners. A firm operates in Finland with two national chains; Siwa and Valintatalo, both are grocery outlets. Total sales of 2011 reached 1,183 million €. (SuomenLähikauppa 2013).

In comparison to S-Group and K-Group, Suomen Lähikauppa Oy has different strategy towards the market, meaning that smaller outlets in size, with less variety of products offered and with little higher prices are located close by households and available to customers 7 days per week. S-Group and K-Group have more hypermarkets and supermarkets (among their outlets) as well as department shops available with wide range of products with relatively lower prices. Additionally, outlets which size exceeds 400 square meters have regulated working hours/days according to (Act 945/2009). (European Working Conditions Observatory 2013). Mainly, that is a limitation to S-Group and K-Group outlets.

5.2.4 Overview of Finnish Grocers' Retail Profiles

It is obvious that major Finnish retailers are gatekeepers to market in case a company's target market coverage is to choose intensive or selected distribution and cover as many outlets as possible or selected number of outlets.

Finnish grocers have expanded their operations in other Nordic countries, the Baltic countries and in Russia as well. For suppliers dealing with Finnish grocer e.g. with S-Group or K-Group business can provide sales from a wider market than only the Finnish market (Ministry for Foreign Affairs of Finland, 2008, 6).

The food market of Finland is dominated by small number of large firms, but the concentration is even more apparent in Finnish grocers' supply chains. The network of outlets and market coverage provided by major grocers as S-Group and K-Group is attractive and well-developed in such a small market as Finland. Moreover, both business entities operate in different industries which are linked with grocery products, including also the expansion to neighbouring countries. Overall, the S-Group and K-Group are powerful and knowledgeable partners to foreign suppliers in Finnish market.

Retailer/Type of Outlet	Ownership	Sales 2011 (€ Mill.)	No. of Outlets in FIN	Location	Market Share in FIN	Purchasing/ Agent Type
S-Group - hyper-markets - department stores - supermarkets - self-service - discount stores	Finnish	6,897	987	Finland Estonia Latvia Lithuania Russia	45.2	Importer/ wholesaler (Inex Partners Oy)
Kesko (K-Group) - hyper-markets - department stores - supermarkets - self-service - discount stores	Finnish	5,387	983	Finland Sweden (hardware) Estonia Latvia Lithuania Russia	35.3	Importer/ wholesaler (Kesko Food)
Lähikauppa OY - hyper-markets - department stores - supermarkets - self-service - small shops	Finnish	1,183	671	Finland Russia	7.8	Importer/ wholesaler (Tuko Logistics)
Lidl - hard discount	German	951	140	Finland Sweden Germany +22 other countries	6.2	Importer/ wholesaler (Lidl Finland Ky)
Stockmann Group -department stores	Finnish	214	7	Latvia Finland Russia Estonia	1.4	Importer/ Wholesaler (Tuko Logistics)

Table 3. Major (five) Finnish Food Retail Profiles in 2011. (Source; Adopted from United States Department of Agriculture 2012.)

5.3 Local and Organic food – recent trends in Finnish Grocers' market

The domination of large volumes has triggered a new direction (social movement) in FGT. ‘‘The Finnish consumers are more interested in the supply of organic and local food and specialties’ produced by small and medium size enterprises (SME)’’. (Bradley, Heinonen, Hiilamo, Hiltunen, Hulmi, Innanen, Kananen, Kola, Manninen, Mäkelä, Niemi, Pyykkönen, Syyrakki 2010, 4). The most visible organization but not the only one which tries to improve this movement is Finnish Innovation Fund (SITRA).

In spring 2011 the local food in Finland accounted for 8% or around 960 million euros of grocery sales in the retail sector (SITRA 2013b). Yet, disregarding the general issues as small size of business and no extra resources for a new product development and marketing, according to Viitaharju Leena (2008) those SMEs producing local food face following factors that influence the supply chain environment for food SMEs at national level; 1) migration from rural areas to urban areas, 2) growth of imports, 3) e-commerce, 4) regulatory environment, 5) smaller households, 6) ageing of population, 7) retention of domestic primary production, 8) shortage of skilled labour force, 9) regional foods, 10) networking among SMEs, 11) increasing competition, 12) development of retail trade, and 13) increase of disposable income.

Further in the paper, focus will be on major chain retailer S-Group as it is the leader of the market and control the supply of food in the Finnish market by having 45.2 per cent of market share in 2011.

6 CASE: COOPERATIVE S-GROUP AS AN OPTIONAL DISTRIBUTION CHANNEL FOR RUSSIAN ANIMAL-ORIGIN FOOD SUPPLIERS

In the context of market gatekeepers the S-Group is the biggest player following by K-Group and Lähikauppa Oy. Thereof, following section examines S-Group's distribution channel system and procurement company Inex Partners Oy in order to recognize firm's requirements to suppliers.

6.1 S-Group's distribution channel structure

The cooperative S-Group as mentioned earlier (chapter 5.2.1) has subsidiaries. Suppliers who aim to export products from Russia have to take into account that they will have to deal with those subsidiaries. The responsible subsidiary of SOK of S-Group for product procurement and logistics (act as a wholesaler) is Inex Partners Oy. Meanwhile responsible procurement company in HoReCa (Hotels, Restaurants, Catering) sector of S-Group is Meiranova Oy (also the subsidiary of SOK).

Including Inex and other organizations the Figure 3 provides an outlook of S-Group's distribution channels from suppliers' perspective of exported Russian animal-origin foodstuffs involving units that have a connection with food trade and consumer products. The outlook illustrates general picture of S-Group's distribution channels. Subcontracted companies which carry logistics service for Inex as NurminenLogistics Oy are not illustrated due to bachelor's thesis nature, meaning that the most general organizations are considered.

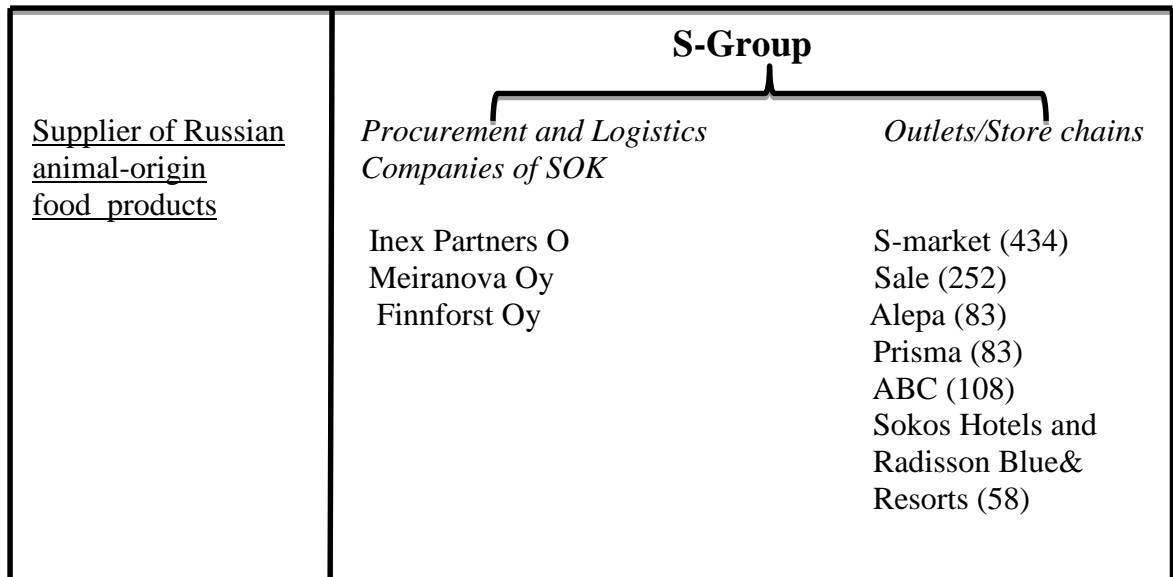


Figure 3. The outlook of S-Group's distribution channel system. (Source; Summarized from Annual Report 2008 of Inex Partners Oy & SOK annual report 2011). Note: The numbers in brackets refer to numbers of stores.

Inex Partners Oy and Meiranova Oy are 100% owned subsidiary of SOK of S-Group. Meiranova Oy is Procurement and Logistics Company of SOK in HoReCa sector. Its clients are Sokos Hotels and Radisson Blue hotels and resorts. Finnforst Oy is 50% owned by Inex Partners Oy the rest is owned by Tuko Logistics Cooperative. Finnforst is Procurement and Logistics Company of frozen food.

In 2011 62 Prisma hypermarket outlets were operating in Finland. Including neighbouring countries Russia, Estonia and country of Baltics as Latvia, together 83 outlets of Prisma were open at the end of 2011. S-market outlets that offer consumer goods in 2011 reached the number of 434 supermarkets within Finland. Sale stores count for 252 locations in Finland. Alepa stores which are mostly located in metropolitan area counted for 83 stores. ABC service station stores are such stations that include restaurant service apart from fuel trade. Together in Finland the number of such stations in 2011 was 108 (SOK annual report 2011).

Inex as a procurement and logistics company of SOK of S-Group is in charge to buy grocery products and take care of their distribution. It is important to see what journey product goes through in Finland in order to appear on supermarket shelves. In Finland Inex have twelve grocery terminals. Recently, in 2012 a new terminal in Sipoo was built in order to improve S-Group product logistics efficiency as existing two large logistics terminals in Kilo (Espoo) and Hakkila in Vantaa have become insufficient.

Kilo Logistics Center has an area of 10 hectares. Fruits, vegetables and processed and non-processed daily foodstuffs as well as processed fresh products are gathered and divided into-store specific deliveries throughout Finland. The delivery goes to stores from Kilo directly or via terminals.

Inex have twelve terminals excluding Kilo, Hakkila and logistics center in Sipoo. Those terminals are outsourced (some owned by Inex) on a subcontracting basis from logistics companies that provide transportation services. Terminals provide useful services which help to distribute regional meat, dairy products and other local products via terminals to stores, mostly those are perishable products. The Kilo Logistics Center operates as Southern Finland terminal.

Other products also known as specialty articles i.e. leisure, clothing, household, hardware, spare parts and agricultural goods are located in four hectare Hakkila Logistics Center from where they are distributed to S-Group stores. (Inex Partners 2013a)

6.2 General minimum requirements for products suppliers of Inex Partners Oy

Suppliers or producers must be aware of requirements set by retailers in order to become a proper business partner. Fulfillment of requirements will lead in a mutual trust and understanding between parties as well as provide liabilities to each other, thereby creating a partnership under set of requirements. Minimum requirements of S-Group's procurement company Inex are provided below. (Inex Partners 2013b).

- Suppliers are required to enter into a written supply agreement with appendices
- Suppliers must supply product details electronically on a schedule according to assortment cycles.
- Production must fulfill the requirements of EU and/or national environmental legislation.
- In terms of social responsibility, suppliers of countries specified in the BSCI import trade initiative are committed to adhere to the principles of the Code of Conduct and to submit to auditing.
- Suppliers should be in a solid financial situation.
- Suppliers must adhere to operating practices according to HACCP principles in foodstuffs and to GMP or HACCP/FMEA principles in daily non-food products.
- Fruit and vegetable suppliers must comply with GAP or IP principles.
- Suppliers must have a traceability system and an own check program.
- Inex or a third party has the right to audit suppliers

The Business Social Compliance Initiative (BSCI) of Foreign Trade Association (FTA) with its Code of Conduct is based on the most important international labour standards protecting the workers' rights, thereby suggesting suppliers to respect and ensure ethical supply chain environment. Goals of BSCI Code of Conduct are listed in Appendix 1. (Business Social Compliance Initiative 2013). Russian Federation is not a participant of BSCI country network.

Hazard Analysis and Critical Control Points (HACCP) - a system which identifies, evaluates, and controls hazards which are significant for food safety. Analysis is carried out by certificated auditors. The certification will show that supplier takes care of products, meaning they are harmless to consumers. Principles of HACCP system are listed in Appendix 2. (Food and Agriculture Organization of the United Nations 2013).

Good Manufacturing Practice (GMP) is a system to ensure that products meet food safety, quality and legal requirements. HACCP is a part of GMP. The GMP introduces employees to critical behaviours and industry leaders to maintain good manufacturing practices in plants. (Kakko 2011). Principles of GMP are listed in Appendix 3.

Good Agricultural Practices (GAP) is a system to healthy food and non-food agricultural products that take into account environmental, economic and social sustainability for on-farm production and post-production processes resulting in safe products. (Food and Agriculture Organization of the United Nations 2003).

Identity Preservation (IP) with a logo of IP on product provides a message to customers that particular product guarantee certain quality. The aim of IP is to control the product during the food chain in order to avoid useless and harm traits. (European Commission Directorate- General for Agriculture 2013).

6.3 Practices in product selection and distribution in S-Group

Product selection and distribution as well as channel intensity possibilities are described with a help of interview by a representative of S-Group. Descriptions of those procedures reflect practical situation and are based on interviewer's Timo Hämälä experience which was recorded on 17th of May, 2013.

How does the product selection go in case of S-Group?

“Usually, it goes such that there are category managers; matter of fact they are called buyers. They are divided according to categories. It means raw division of food store goes like following”:

Table 4. Raw division of food and assortment periods according to retailers

Main product groups	Assortment periods
Fruits & Vegetables	Weekly
Fresh	(Jun.-Sept.), (Oct.-Feb.), (Mar.-May)
Dry	(Nov.-Feb), (Mar.-Aug.), (Sept.-Jan.)
Alco	-April
Near Food (cosmetics, detergents etc.)	(Jan.-Apr.), (May-Aug.), (Sept.-Dec.)
Non-Food (fashion, leisure etc.)	(Apr.-Aug.), (Sept.-Mar.)

“Buyers work under those categories, meaning group of people are working under group of Fruits and Vegetables in situation of large food retailers as Kesko, S-Group. That means, there is a buyer and his/hers purchasing assistant. They receive offers from the producers or importers to prepare for coming assortment periods. For example; under fresh products category retailers have meat, diary, frozen articles and bread. In accordance with old history of sales data from last year buyer and purchasing assistant check have they received all the articles (products) to cover the need of customers, namely, they gather all the ideas, novelties from vendors to fulfill assortment period”.

Can you please describe the distribution routes of foodstuffs from practice of S-Group based on your knowledge?

“The main principle is to buy direct: as direct as possible. No middleman, because they won’t add value, they add costs. They try to make margin from in-between and when retailer is buying volumes he is buying full trucks, full containers. It means that producer is the one to talk direct, to negotiate and agree prices and deliveries, because it is always easier if retailer is agreeing with producer because a guy sitting next to him does not bring a value”.

“However, in the beginning, for instance, in case with Russian producer the agent is involved in-between but after this business relation gets better, there is an established relationship; mutual trust which than leads to direct business and direct negotiations. What comes to logistics, it is also direct. It means that food retailers want to know that deliveries are exact- retailer got to handle also logistics”.

“Transportation service is agreeable, but e.g. in division of fruits and vegetables when S-Group is buying from Mediterranean’s; Spain, it has there certain growers with whom deals are agreed direct, for instance, oranges are bought straight from producer, so transport is picked by S-Group, but that does not mean that trucks are owned by S-Group. Cooperative has a representative over there who knows solid companies providing transportation service. He/she monitors there the quality of the stuff when products are loaded into trucks. The production occurs on the spot and costs of logistics are carried by retailer, because retailer knows when the truck is going, when it will arrive to company’s import terminal”.

Does food products of a particular supplier can appear for sale only in selected locations within country? Or, once you have become the supplier to S-Group you must supply for a whole chain?

“It does not go by regions. Retailers try to reach a private right to sale articles. If company (retailer) is strong enough and there is a new comer to market there can be such a point in an agreement under which retailer demands that he is a private seller of those articles in that particular region and is able to provide interesting volumes. In such cases, usually, producer agrees. But if there is a branch which is a very big player and does not want to give this private right to only one region, then, for instance, with processed meat producer, the decision where to sell those articles is not by region but it can be by store chain”.

“When vendor is offering assortment of processed meat, the best sellers and the best value for money articles retailers usually take to every type of store including discount, convenient stores. But products with higher quality and price retailers usually position in supermarkets and hypermarkets. It goes, not by regions (if the product is not very traditional), because grocery market is either local (in case of fresh products) or national (special products)”.

Does S-Group require competent certificates of foodstuffs as processed fish, meat or poultry meat products?

“Firstly, companies of producers are approved by EU and if there is a steady business going on between producer and retailer, then usually group of people sent by retailers are investigating the production area and quality of raw materials”

7 CONCLUSIONS

Conclusions to Russian animal-origin food suppliers which aim to distribute its products in Finland can be divided into three categories; (1) legal provisions, (2) market leader S-Group, and (3) Finnish grocers' market.

The most important aspect of animal-origin product trade to Finland from Russia is the production plant customization in accordance with EU approved establishments. Next, for appropriate distribution and customs passing procedure suppliers must have proper documents as health certificate issued by competent Russian authority as State Veterinary Office. No matter which distribution channel suppliers choose; direct or indirect legal requirements are the same. However, for direct sales straight to consumers either via store or open-air-market place if products appear to be unpackaged and food manufacturing takes place (e.g. items are cut into pieces) extra hygiene requirement as hygiene passport for employees is required. For animal-origin processed products the main issue to suppliers is HACCP certificate. In fact, it is the key certificate which so far has been an issue to Russian producers of animal-origin products. The product will not be accepted by European retailer if the product does not come from a production plant certified with HACCP.

The review of Finnish grocers' market reveals that Finnish grocers' market is highly concentrated. Three players hold 88.3 per cent market share and procurement companies of those retailers act as buying agents and logistics providers. Suppliers willing to supply to S-Group must turn to Inex Partners Oy with novelties and proposals. Large volumes are the most common feature of Finnish grocers' market.

In case of the market leader S-Group, suppliers can supply products through an agent, but after two years of partnership S-Group can exclude the agent. However, major retailers as S-Group try to do business as direct as possible, meaning that middle men are perceived as something that does not bring any extra value. This is an interesting finding, because based on the theory middlemen provide extra services and additional value, for instance by reducing costs.

The trend of local and organic food in Finnish society has caused a demand of that sort of specialties' produced by small and medium size enterprises, but in the context of

logistics retailers buy full loads of containers or trucks, therefore quantity and price are important aspects. In addition, suppliers must be aware of assortment cycles set by retailer. There are three assortment periods per year for fresh products category that suppliers must take into account. Retailers are very strict with food origin and quality.

Grocers' market in Finland is either local (in case of fresh products) or national (special products). Products are distributed not by regions but in a chain (S-Group). All types of channel intensities (section 4.4) are agreeable; however they strictly depend on retailer's view on them, products' origin and supplier's position in market.

The products with high quality and high price are mostly positioned in supermarkets and hyper-markets. In contrast, best value for money articles retailers usually position in every type of store chain. Such a situation provides a producer with an opportunity to position its products in different ways. It is also important to take into account that total number of stores involved in food trade in 2011 in S-Group reached 1018 units.

General conclusion of this study is that there is a system which involves steps that must be satisfied in order to become a supplier of S-Group or any other Finnish grocers' retailer. In addition, retailers are interested to take control of operations and therefore prefer to do direct business. The direct business must be a key word to suppliers who aim to supply from Russia when considering a business with Finnish grocers' retailer.

During the research process of the thesis author has recognized topics which might be interesting and relevant to study: (1) research among the growing population of Russian people in Finland can be carried out to evaluate their need for Russian foodstuffs in Finland. That would be great push factor also for retailers to cooperate and look for business contacts in Russia, (2) impact of tariffs on the price of Russian animal-origin foodstuffs trade to Finland and (3) comparison of production costs of animal-origin products in Finland and in region of Saint-Petersburg.

REFERENCES

- Annual Report of Inex Partners Oy. 2008. Data retrieved: 06.05.2013 URL: <http://web.lib.hse.fi/FI/yrityspalvelin/pdf/2008/Einexpartners2008.pdf>
- Annual Report of SOK. 2011. Data retrieved: 06.05.2013 URL: https://www.s-kanava.fi/c/document_library/get_file?uuid=52c5249f-1189-4bd0-a1ee-0e8b619c3fc9&groupId=15238
- Annual Report of Kesko Group. 2011. Financial Performance. Data retrieved 08.04.2013 URL: http://www.kesko.fi/static/vuosikertomus2011/en/financials/01-report_by_the_board_of_directors.html
- Atria 2013. Atria Russia's new factory started up in Gorelovo. Data retrieved 19.11. 2013 URL: <http://www.atriagroup.com/en/Media/pressreleases/Pages/Russiasnewfactory.aspx>
- Björkroth, T., Frosterus, H., Kajova, M., Palo, E. 2012. Study on trade in groceries: How does the buyer power affect the relations between the trade and industry? 8-12. Finnish Competition and Consumer Authority.
- Blythe, J. 2006. Principles & Practice of Marketing. UK: Thomson Learning
- Bradley, P., Heinonen, K., Hiilamo, H., Hiltunen, E., Hulmi, A., Innanen, M., Kananen, I., Kola, J., Manninen, M., Mäkelä, J., Niemi, J., Pyykkönen, P., Syyrakki, S. 2010. Food for Tomorrow- Proposal for Finland's National Food Strategy. Finland: Vammalan kirjapaino.
- Brassington, F., Pettitt, S. 2006. Principles of Marketing 4th edition. UK: Pearson Education Limited.
- Business Social Compliance Initiative. 2013. The BSCI Code of Conduct. Data retrieved: 04.05.2013 URL: <http://www.bsci-intl.org/our-work/bsci-code-conduct>
- Coughlan, A., T., Anderson, E., Stern, L., W., & El-Ansary, A., I. 2001. Marketing Channels 6th edition. Upper Saddle River, New Jersey, USA: Prentice Hall, Inc.
- Directorate General of Health and Consumers of European Commission. 2013a. Third Country Establishments; List per Country: Russian Federation. Data retrieved 15.04.2013 URL: https://webgate.ec.europa.eu/sanco/traces/output/non_eu_listsPerCountry_en.htm#
- Directorate General of Health and Consumers of European Commission. 2013b. Procedure to request a modification to the list. Data retrieved on 28.04.2013 URL: http://ec.europa.eu/food/food/biosafety/establishments/third_country/proc_intro_request_en.htm
- Directorate -General of Health and Consumers of European Commission. 2013c. TRACES-Certification Chain. Data retrieved 27.04.2013 URL: http://ec.europa.eu/food/animal/diseases/traces/about/certification_chain_en.htm

- Doyle, C. 2011. A Dictionary of Marketing 3rd edition. UK: Oxford University Press
- European Commission Directorate –General for Agriculture. 2013. Economic Impacts of Genetically Modified Crops on the Agri-Food Sector. Data retrieved 21.04.2013
URL: <http://ec.europa.eu/agriculture/publi/gmo/fullrep/ch5.htm>
- European Commission Food and Veterinary Office. 2009. In order to evaluate the food safety control systems in place governing the production poultry meat and poultry meat products intended for export to the European Union. Data retrieved 26.04.2013 URL: http://ec.europa.eu/food/fvo/rep_details_en.cfm?rep_id=2417
- European Commission Food and Veterinary Office. 2010. In order to evaluate food and safety and public health control systems as well as certification procedures in place in relation to bovine, porcine, and poultry meat preparations and meat products destined for export to the European Union. Data retrieved: 24.04.2013
URL: http://ec.europa.eu/food/fvo/ir_search_en.cfm
- European Commission Food and Veterinary Office. 2011. In order to evaluate the food safety control systems in place governing the production of poultry meat and poultry meat products intended for export to the European Union (Follow-up). Data retrieved: 24.04.2013 URL:
http://ec.europa.eu/food/fvo/rep_details_en.cfm?rep_id=2757b
- European Working Conditions Observatory. 2013. Finland: EWCO CAR on working conditions in the retail sector – National contribution. Data retrieved 07.04.2013
URL: <http://www.eurofound.europa.eu/ewco/studies/tn1109058s/fi1109051q.htm>
- Evseev, V., & Wilson, R. 2012. WTO Accession: Implications for Russia. Yegor&Gaidar fellowship program in Economics. Data retrieved 15.04.2013
Available at: <http://www.irex.ru/files/Gaidarfellowship/2012/Evseev-Eng.pdf>
- Federal Service for Veterinary and Phytosanitary Surveillance of Russia. 2013. Federal Service for Veterinary and Phytosanitary Surveillance. Data retrieved 12.04.2013
URL: http://www.fsvps.ru/fsvps/main.html?_language=en
- Finnish Customs. 2013a. Customs/fiscal territory. Data retrieved 16.04.2013 URL:
http://www.tulli.fi/en/businesses/customs_and_fiscal_territories/index.jsp
- Finnish Customs. 2013b. Customer Bulletin. Businesses and Organizations, 3. Data retrieved 22.04.2013 URL:
http://www.tulli.fi/en/finnish_customs/publications/general_information/general_information/019_business.pdf
- Finnish Food and Safety Authority. 2013a. . Veterinary border control. Data retrieved 23.04. 2013
(http://www.evira.fi/portal/en/food/import_and_export/import_from_non-eu_countries/veterinary_border_control/)
- Finnish Food and Safety Authority. 2013b. Hygiene proficiency generally. Data retrieved 25.04.2013 URL:
http://www.evira.fi/portal/en/food/hygiene_proficiency/hygiene_proficiency_generally/

- Finnish Food and Safety Authority. 2013c. How to apply to EVIRA for an import permit for foodstuffs or other products and for exemption from veterinary border inspection. Data retrieved 22.04.2013 URL: http://www.evira.fi/portal/en/food/import_and_export/import_from_non-eu_countries/applying_for_an_import_licence_for_foodstuffs_or_other_products_and_for_exemption_from_veterinary_border_inspection/
- Finnish Grocery Trade Association. 2012. Finnish Grocery Trade 2012-2013. Finland: MIKTOR/ Vammalan Kirjapaino Oy.
- Food and Agriculture Organization of the United Nations. 2003. Development of a Framework for Good Agricultural Practises. Data retrieved: 05.05.2013 URL: <http://www.fao.org/docrep/MEETING/006/Y8704e.HTM>
- Food and Agriculture Organization of the United Nations. 2013. HACCP system and guidelines for its application. Data retrieved 04.05.2013 URL: <http://www.fao.org/docrep/005/Y1579E/y1579e03.htm>
- Gide, C. 1922. Consumer's Co-operatives Societies. USA: New York, Alfred A.Knopf Inc.
- Hoffman, D., K., Dickson, P., R., Czinkota, M., R., Ronkainen, I., A., Sheth, J., N., Kirshan, B., C., Hutt, M., D., Speh, T., W., Simpson, P., Griffin, A., Rosenbloom, B., Dunne, P., Lusch, R., F., Shimp, T., A., Siguaw, J., A., Urbany, J., E. 2004. Marketing Principles & Best Practices 3rd edition. USA: Cengage Learning.
- Inex Partners Oy. 2013a. Efficient logistics 24 hours a day. Data retrieved: 01.05.2013 URL: <http://www.inex.fi/english/company/logistics.php>
- Inex Partners Oy. 2013b. How to become a supplier? Data retrieved: 01.05.2013 URL: <http://www.inex.fi/english/company/supplier/>
- Kakko, L. 2011. Good Manufacturing Practise. Traditional Food in Combating Foodborne Pathogens. Tampere University of Applied Sciences.
- Koistinen, K., Vesala, T. 2006. Päivittäistavarakaupan rakennemuutos Suomen keskeisillä kaupunkiseuduilla 1995-2003, 77. Helsinki. URL: http://www.kuluttajatutkimuskeskus.fi/files/4931/2006_06_julkaisu_paivittaistavara.pdf
- Korpela, P. 2013. Open-air-market place [Private Email]. Recipient: Kaspars Kokins. Sent on 22.04.2013
- Kothari, R., C. 2004. Research Methodology Methods & Techniques. New Delhi; New Age International (P) Limited, Publishers.
- Kotler, P. & Armstrong, G. 1994. Principles of Marketing 6th edition. UK: Prentice-Hall International.
- Kotler, P., Keller, K., Brady, M., Goodman, M., Hansen, T. 2012. Marketing Management 2nd edition. UK: Pearson Education Limited
- Kumar, R., C. 2008. Research Methodology. New Delhi: S. B. Nangia.

- Kumar, R. 2011. Research Methodolgy a step by step guide for beginners 3rd edition. USA: SAGE Publications Inc., California.
- Labelling of Foodstuffs. 1084/2004. [Decree of the Ministry of Trade and Industry of Finland] <http://www.finlex.fi/fi/laki/alkup/2004/20041084>. 15.04.2013
- Lancaster, G., Massingham, L. 2011. Essentials of Marketing Management. USA: Routledge
- Law, J. 2009. A Dictionary of Business and Management 5th edition. UK: Oxford University Press.
- Lines, D., Marcouse, I., Martin, B. 2003. Complete A-Z Business Studies Handbook 4th edition, UK: Hodder &Stoughton
- Linton, C., Donnelly, R. 2009. Delivering customer value through marketing. USA: Elsevier Ltd
- Ministry for Foreign Affairs of Finland. 2008. Exporting to Finland, 1-6. Erweko Oy, Finland.
- Ministry of Agriculture and Forestry of Finland. 2013. Food labelling. Data retrieved 17.04.2013 URL: http://www.mmm.fi/en/index/frontpage/food_safety/labelling_nutrition/food_labelling.html
- Perreault, W., Cannon, J., McCarthy, E., J. 2011. Basic Marketing 18th edition. USA: The McGraw-Hill Companies Inc.
- Reg. 178/2002. [European Commission] <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2002:031:0001:0024:EN:PDF>. Data retrieved 15.04.2013
- Reg. 852/2004. [European Commission] <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2004:139:0001:0054:en:PDF>. Data retrieved 20.04.2013
- Reg. 882/2004. [European Commission] <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2004:165:0001:0141:EN:PDF>. Data retrieved: 16.04.2013
- Reg. 1935/2004. [European Commission] <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2004:338:0004:0017:EN:PDF>. Data retrieved 17.04.2013
- Robinson, J. 1969. The Accumulation of Capital 3rd edition, p. 39, USA: Macmillan, St Martin's Press.
- Rolnicki, K. 1998. Managing Channels of Distribution. The Marketing Executive's Complete Guide. USA: Amacom.
- Rosenbloom, B. 2010. Six Classic Distribution Paradigms for Global Marketing Channel Strategy, Symphonya. Emerging Issues in Management. Issue no.1, 9-10.
- Russell, E. 2010. The fundamentals of Marketing. Switzerland: AVA Publishing.

- SITRA. 2013b. Organic and Local Food: The local food market in Finland. Data retrieved 09.04.2013 URL: <http://www.sitra.fi/en/organic-and-local-food>
- S-Kanava. 2013. Information on S-group: Structure. Data retrieved 10.04. 2013 URL: <https://www.s-kanava.fi/web/s-kanava-tietoa-s-ryhmasta/en/s-ryhman-rakenne>
- Suomen Lähikauppa. 2013. Lähikaupalle on tilausta. Data retrieved: 09.04.2013 URL: <http://www.lahikauppa.fi/fi/yritys/>
- Swiss Business Hub Russia. 2012. Russia: Legal Provisions. Data retrieved 11.04.2013 URL: http://www.switzerland-ge.com/de/filefield-private/files/720/field_blog_public_files/11801
- The Baltic Times. 2011. Russia's WTO accession might affect food prices in Estonia. Data retrieved 17.04.2013 URL: <http://www.baltictimes.com/news/articles/30056/>
- United States Department of Agriculture. 2012. Retail Food Sector Report for Sweden and Finland. Data retrieved 08.04.2013 URL: http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Food%20Sector%20Report%20for%20Sweden%20and%20Finland_Stockholm_Finland_12-16-2010.pdf
- Viitaharju, L. 2008. Prevailing challenges in rural food SMEs in Finland: the promise of relationship marketing approach. The Finnish Journal of Business Economics. Data retrieved: 08.04.2013 URL: <http://lta.hse.fi/2008/4>
- World Trade Organization. 2013. Principles of the trading system. Data retrieved 14.04.2013 URL: http://www.wto.org/english/thewto_e/whatis_e/tif_e/fact2_e.htm

GOALS OF BSCI CODE OF CONDUCT



freedom of association and the right to collective bargaining are respected



no discrimination is practised



child labour is prohibited



legal minimum and/or industry standards wages are paid



working hours are compliant with national laws and do not exceed 48 hours regular + 12 hours overtime



there is no forced labour and disciplinary measures



the workplace is safe and healthy



the environment is respected



there is a policy for social accountability



there is an anti-bribery and anti-corruption policy

PRINCIPLES OF THE HACCP SYSTEM

The HACCP system consists of the following seven principles:

PRINCIPLE 1

Conduct a hazard analysis.

PRINCIPLE 2

Determine the Critical Control Points (CCPs).

PRINCIPLE 3

Establish critical limit(s).

PRINCIPLE 4

Establish a system to monitor control of the CCP.

PRINCIPLE 5

Establish the corrective action to be taken when monitoring indicates that a particular CCP is not under control.

PRINCIPLE 6

Establish procedures for verification to confirm that the HACCP system is working effectively.

PRINCIPLE 7

Establish documentation concerning all procedures and records appropriate to these principles and their application.

Ten Principles of GMP

1. Writing procedures
2. Following written procedures
3. Documenting for traceability
4. Designing facilities and equipment
5. Maintaining facilities and equipment
6. Validating work
7. Job competence
8. Cleanliness
9. Component control
10. Auditing for compliance

Transport requirements towards the hygiene of foodstuffs in accordance with Regulation No. 852/2004.

1. Conveyances and/or containers used for transporting foodstuffs are to be kept clean and maintained in good repair and condition to protect foodstuffs from contamination and are, where necessary, to be designed and constructed to permit adequate cleaning and/or disinfection.
2. Receptacles in vehicles and/or containers are not to be used for transporting anything other than foodstuffs where this may result in contamination.
3. Where conveyances and/or containers are used for transporting anything in addition to foodstuffs or for transporting different foodstuffs at the same time, there is, where necessary, to be effective separation of products.
4. Bulk foodstuffs in liquid, granulate or powder form are to be transported in receptacles and/or containers/tankers reserved for the transport of foodstuffs. Such containers are to be marked in a clearly visible and indelible fashion, in one or more Community languages, to show that they are used for the transport of foodstuffs, or are to be marked "for foodstuffs only".
5. Where conveyances and/or containers have been used for transporting anything other than foodstuffs or for transporting different foodstuffs, there is to be effective cleaning between loads to avoid the risk of contamination.
6. Foodstuffs in conveyances and/or containers are to be so placed and protected as to minimize the risk of contamination.
7. Where necessary, conveyances and/or containers used for transporting foodstuffs are to be capable of maintaining foodstuffs at appropriate temperatures and allow those temperatures to be monitored.

CVED for products

EUROPEAN COMMUNITY

The Common Veterinary Entry Document, CVED

Part 1: Details of consignment presented	1. Consignor / Exporter <input type="checkbox"/>		2. CVED reference number	
			Border Inspection Post	
			ANIMO Unit Number	
	3. Consignee		4. Person responsible for load	
	5. Importer		6. Country of origin + ISO code	7. Country from where consigned + ISO code
			8. Delivery address	
	9. Arrival at BIP (estimated date)		10. Veterinary documents Number(s)	
	11. Vessel name / Flight No. Bill of Lading No./ Airway Bill No. Wagon / Vehicle / Trailer No.		Date of issue Establishment of origin(where relevant) Veterinary approval number	
	12. Nature of goods, Number and type of packages		13. Commodity Code (CN, minimum first 4 digits)	
			14. Gross weight (kg)	
		15. Net weight (kg)		
Temperature Chilled: <input type="checkbox"/> Frozen: <input type="checkbox"/> Ambient: <input type="checkbox"/>				
16. Seal number and Container number				
17. Transhipment to <input type="checkbox"/>		18. For transit to 3rd Country <input type="checkbox"/>		
EU BIP ANIMO unit no.:		To 3rd Country + ISO code		
3rd country 3rd Country ISO code:		Exit BIP: ANIMO unit no.:		
19. Conform to EU requirements		20. For re-import		
Conforms <input type="checkbox"/>		<input type="checkbox"/>		
Does NOT conform <input type="checkbox"/>				
21. For internal market		22. For NON- Conforming consignments		
Human consumption: <input type="checkbox"/>		Customs warehouse <input type="checkbox"/> Registered No.		
Animal feedingstuff: <input type="checkbox"/>		Free zone or Free warehouse <input type="checkbox"/> Registered No.		
Pharmaceutical use: <input type="checkbox"/>		Ship supplier <input type="checkbox"/> Registered No.		
Technical use: <input type="checkbox"/>		Ship <input type="checkbox"/> Name		
Other: <input type="checkbox"/>		Port		
23. Declaration		Place and date of declaration		
I, the undersigned person responsible for the load detailed above, certify that to the best of my knowledge and belief the statements made in section I of this document are true and complete and I agree to comply with the legal requirements of directive 97/78/EC, including payment for veterinary checks, for repossession of any consignment rejected after transit across the EU to a third country (Article 11.1.e), or costs of destruction if necessary.		Name of signatory		
		Signature		

Appendix 5 2 (2)

EUROPEAN COMMUNITY

The Common Veterinary Entry Document, CVED

Part 2: decision on consignment	24. Previous CVED: No <input type="checkbox"/> Yes <input type="checkbox"/> <input type="checkbox"/> Reference number:	25. CVED Reference Number:
	26. Documentary Check: Satisfactory <input type="checkbox"/> Not satisfactory <input type="checkbox"/>	27. Identity Check: Seal check <input type="checkbox"/> OR Full identity check <input type="checkbox"/> Satisfactory <input type="checkbox"/> Not satisfactory <input type="checkbox"/>
	28. Physical Check: Satisfactory <input type="checkbox"/> Not satisfactory <input type="checkbox"/> Not done <input type="checkbox"/> 1. Reduced checks regime <input type="checkbox"/> 2. Other <input type="checkbox"/>	29. Laboratory Tests: No <input type="checkbox"/> Yes <input type="checkbox"/> Tested for: Random <input type="checkbox"/> Suspicion <input type="checkbox"/> Results: Satisfactory <input type="checkbox"/> Not satisfactory <input type="checkbox"/> Released pending a result <input type="checkbox"/>
	30. ACCEPTABLE for Transhipment: EU BIP <input type="checkbox"/> ANIMO unit no.: <input type="checkbox"/> 3rd country <input type="checkbox"/> 3rd Country ISO code: <input type="checkbox"/>	31. ACCEPTABLE for Transit Procedure <input type="checkbox"/> To 3rd Country + ISO code <input type="checkbox"/> Exit BIP: ANIMO unit no.: <input type="checkbox"/>
	32. ACCEPTABLE for Internal Market For Free Circulation Human consumption: <input type="checkbox"/> Animal feedingstuff: <input type="checkbox"/> Pharmaceutical use: <input type="checkbox"/> Technical use: <input type="checkbox"/> Other: <input type="checkbox"/>	33. ACCEPTABLE if channelled Article 8 procedure <input type="checkbox"/> Re-import of EU products (Article 15) <input type="checkbox"/>
	35. NOT ACCEPTABLE 1. Re-export <input type="checkbox"/> 2. Destruction <input type="checkbox"/> 3. Transformation <input type="checkbox"/> By Date: <input type="checkbox"/>	34. ACCEPTABLE for Specific Warehouse Procedure (Articles 12.4 and 13) Customs warehouse <input type="checkbox"/> Free zone or Free warehouse <input type="checkbox"/> Ship supplier <input type="checkbox"/> Direct to a ship <input type="checkbox"/>
	37. Details of Controlled Destinations (33-35) Approval no (where relevant): <input type="checkbox"/> Address: <input type="checkbox"/>	36. Reason for Refusal 1. Absence/Invalid certificate <input type="checkbox"/> 2. Non approved country <input type="checkbox"/> 3. Non approved establishment <input type="checkbox"/> 4. Prohibited product <input type="checkbox"/> 5. ID: Mis-match with documents <input type="checkbox"/> 6. ID: Health mark error <input type="checkbox"/> 7. Physical hygiene failure <input type="checkbox"/> 8. Chemical contamination <input type="checkbox"/> 9. Micro biological contamination <input type="checkbox"/> 10. Other <input type="checkbox"/>
	38. Consignment Resealed New seal no: <input type="checkbox"/>	
	39. Full identification of border inspection post/competent authority and official stamp.	40. Official Veterinarian I the undersigned official veterinarian, or designated official agent, certify that the veterinary checks on this consignment have been carried out in accordance with EU requirements. Signature: <input type="text"/> Name (in Capital): <input type="text"/> Date: <input type="text"/>
	41. Exit Transit BIP: Formalities of exit from the EC and checks made of transiting goods confirmed in accordance with Article 11.2(e) of Directive 97/78/EC: Date: <input type="text"/> Stamp: <input type="text"/>	42. Customs Document Reference: <input type="text"/> 43. Subsequent CVED Number(s): <input type="text"/>

Appendix 6

The list of groups of materials and articles which may be covered by specific measures in accordance with Regulation 1935/2004

1. Active and intelligent materials and articles
2. Adhesives
3. Ceramics
4. Cork
5. Rubbers
6. Glass
7. Ion-exchange resins
8. Metals and alloys
9. Paper and board
10. Plastics
11. Printing inks
12. Regenerated cellulose
13. Silicones
14. Textiles
15. Varnishes and coatings
16. Waxes
17. Wood

Semi-structured outline of the interview

1. How does the product selection go in case of S-Group?
2. There are also Prisma outlets of S-Group in Saint Petersburg. Does product selection go in the same way as you just described?
3. Can you please describe the distribution routes of foodstuffs from practice of S-Group based on your knowledge?
4. Does food products of a particular supplier can appear for sale only in selected locations within country? Or, once you have become the supplier to S-Group you must supply for a whole chain?
5. Are there any Russian foodstuffs among S-Group product range?
6. Having regard to Janne Lihavainen comment to Baltic Times in November, 2011; ‘‘Majority of producers (meant Baltic but theoretically also applies to Finland) will attempt to increase exports to Russia at the same time and that reduces supply at the home market. Meanwhile, Russian producers will have a more favorable opportunity than before to come to Estonia with their goods that will bring new products to shops and will start pulling down the average price of a food basket’’. What is your opinion?
7. Does S-Group require competent certificates of foodstuffs as processed fish, meat or poultry meat products?
8. In near future, do you think that number of Russian producers supplying to Finnish grocers’ retailers will grow, stay steady or decrease?